

section 337 based upon the importation into the United States, the sale for importation, and the sale within the United States after importation of certain mobile phones, tablet computers, smart watches, smart speakers, and digital media players, and products containing same by reason of infringement of certain claims of U.S. Patent Nos. 7,151,430 (“the ‘430 patent”); 9,509,273 (“the ‘273 patent”); 9,853,621 (“the ‘621 patent”); 7,957,770 (“the ‘770 patent”); and 9,705,400 (“the ‘400 patent”) (collectively, “Asserted Patents”). *See id.* The notice of investigation names Apple, Inc. (“Apple”) of Cupertino, California, as the respondent in the investigation. *See id.* The Office of Unfair Import Investigations (“OUII”) is also a party to the investigation. *See id.*

On December 16, 2022, the Commission partially terminated the investigation as to: (1) all asserted claims of the ‘400 patent; (2) all asserted claims of the ‘621 patent; (3) claims 11 and 12 of the ‘430 patent; (4) claims 1 and 7 of the ‘273 patent; and (5) claims 4, 8–10, 12, 15, and 16 of the ‘770 patent based on withdrawal of the complaint as to those patents and claims. *See* Order No. 25 (Nov. 21, 2022), *unreviewed by* Comm’n Notice (Dec. 16, 2022).

On July 26, 2022, Ericsson filed a motion for summary determination that the economic prong of the domestic industry requirement is satisfied for each of the Asserted Patents (“Ericsson’s SD Motion”). On August 4, 2022, Apple filed a response to Ericsson’s SD Motion stating that Apple does not dispute Ericsson’s SD Motion to the extent it relates to the economic prong of the domestic industry requirement but that Apple disputes that Ericsson has satisfied the technical prong of the domestic industry requirement.

On November 30, 2022, the ALJ issued an ID (Order No. 29) granting summary determination that Ericsson satisfies the economic prong of the domestic industry requirement. On March 2, 2023, the Commission issued a notice extending until March 24, 2023, the deadline for determining whether to review the ID (Order No. 29).

On February 6, 2023, Ericsson and Apple jointly moved to terminate the investigation in its entirety based on settlement. On February 7, 2023, OUII filed a response in support of the joint motion.

On February 22, 2023, the ALJ issued an ID (Order No. 34) granting the joint motion to terminate the investigation. The ID finds that the joint motion complies with Commission Rule 210.21(b)(1), 19 CFR 210.21(b)(1). *See* ID at 3. Specifically, the ID notes that the

joint motion includes confidential and public copies of the settlement agreement. *See id.* In addition, the motion states that “[t]here are no other agreements, written or oral, express or implied between the Ericsson and Apple concerning the subject matter of this Investigation.” *See id.* Furthermore, in accordance with Commission Rule 210.50(b)(2), 19 CFR 210.50(b)(2), the ID finds that “terminating this Investigation is in the public interest and will conserve public and private resources.” *See id.*

No petitions for review of the subject IDs (Order Nos. 29 and 34) were filed.

The Commission has determined not to review the ID terminating the investigation based on settlement (Order No. 34). In addition, the Commission has determined to vacate as moot the ID (Order No. 29) granting summary determination that the economic prong of the domestic industry requirement is satisfied. The investigation is terminated.

The Commission’s vote for these determinations took place on March 22, 2023.

The authority for the Commission’s determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), and in part 210 of the Commission’s Rules of Practice and Procedure (19 CFR part 210).

By order of the Commission.

Issued: March 22, 2023.

**Lisa R. Barton,**

*Secretary to the Commission.*

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**BILLING CODE 7020–02–P**

## DEPARTMENT OF LABOR

### Employee Benefits Security Administration

[Exemption Application No. D–12075]

#### Proposed Exemption for Certain Prohibited Transaction Restrictions Pacific Investment Management Company LLC, Newport Beach, California

**AGENCY:** Employee Benefits Security Administration, Labor.

**ACTION:** Notice of proposed exemption.

**SUMMARY:** This document provides notice of the pendency before the Department of Labor (the Department) of a proposed individual exemption from certain of the prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974 (ERISA or the Act) and/or the Internal Revenue

Code of 1986 (the Code). If the proposed exemption is granted, certain asset managers with specified relationships to the Pacific Investment Management Company LLC (PIMCO or the Applicant) will not be precluded from relying on the exemptive relief provided by Prohibited Transaction Class Exemption 84–14 (PTE 84–14 or the QPAM Exemption), notwithstanding the upcoming judgment of conviction against Allianz Global Investors US LLC (AGI US) for one count of securities fraud.

#### DATES:

**Comments due:** Written comments and requests for a public hearing on the proposed exemption should be submitted to the Department by May 12, 2023.

**Exemption dates:** If granted, this proposed exemption will be in effect for a period of five years beginning on May 17, 2023, and ending on May 16, 2028.

**ADDRESSES:** All written comments and requests for a hearing should be submitted to the Employee Benefits Security Administration (EBSA), Office of Exemption Determinations, Attention: Application No. D–12075 via email to [e-OED@dol.gov](mailto:e-OED@dol.gov) or online through <http://www.regulations.gov>. Any such comments or requests should be sent by the end of the scheduled comment period. The application for exemption and the comments received will be available for public inspection in the Public Disclosure Room of the Employee Benefits Security Administration, U.S. Department of Labor, Room N–1515, 200 Constitution Avenue NW, Washington, DC 20210. See **SUPPLEMENTARY INFORMATION** below for additional information regarding comments.

**FOR FURTHER INFORMATION CONTACT:** Mr. Joseph Brennan of the Department at (202) 693–8456. (This is not a toll-free number.)

#### SUPPLEMENTARY INFORMATION:

**Comments:** Persons are encouraged to submit all comments electronically and not to follow with paper copies. Comments should state the nature of the person’s interest in the proposed exemption and how the person would be adversely affected by the exemption, if granted. Any person who may be adversely affected by an exemption can request a hearing on the exemption. A request for a hearing must state: (1) The name, address, telephone number, and email address of the person making the request; (2) the nature of the person’s interest in the exemption and the manner in which the person would be adversely affected by the exemption;

and (3) a statement of the issues to be addressed and a general description of the evidence to be presented at the hearing. The Department will grant a request for a hearing made in accordance with the requirements above where a hearing is necessary to fully explore material factual issues identified by the person requesting the hearing. A notice of such hearing shall be published by the Department in the **Federal Register**. The Department may decline to hold a hearing if: (1) the request for the hearing does not meet the requirements above; (2) the only issues identified for exploration at the hearing are matters of law; or (3) the factual issues identified can be fully explored through the submission of evidence in written (including electronic) form.

**Warning:** All comments received will be included in the public record without change and may be made available online at <http://www.regulations.gov>, including any personal information provided, unless the comment includes information claimed to be confidential or other information whose disclosure is restricted by statute. If you submit a comment, EBSA recommends that you include your name and other contact information in the body of your comment, but DO NOT submit information that you consider to be confidential, or otherwise protected (such as a Social Security number or an unlisted phone number) or confidential business information that you do not want publicly disclosed. However, if EBSA cannot read your comment due to technical difficulties and cannot contact you for clarification, EBSA might not be able to consider your comment.

Additionally, the <http://www.regulations.gov> website is an “anonymous access” system, which means EBSA will not know your identity or contact information unless you provide it in the body of your comment. If you send an email directly to EBSA without going through <http://www.regulations.gov>, your email address will be automatically captured and included as part of the comment that is placed in the public record and made available on the internet.

### Proposed Exemption

The Department is considering granting an exemption under the authority of Section 408(a) of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and Section 4975(c)(2) of the Internal Revenue Code of 1986, as amended (the Code), and in accordance with the procedures set forth in 29 CFR part

2570, subpart B (75 FR 66637, 66644, October 27, 2011).<sup>1</sup> If the proposed exemption is granted, certain asset managers with specified relationships to PIMCO (the PIMCO Affiliated QPAMs and the PIMCO Related QPAMs) will not be precluded from relying on the exemptive relief provided by Prohibited Transaction Class Exemption 84–14 (PTE 84–14 or the QPAM Exemption),<sup>2</sup> notwithstanding the upcoming judgment of conviction against Allianz Global Investors US LLC (AGI US) for one count of securities fraud.<sup>3</sup>

If granted, this proposed exemption will be effective for a five-year period beginning on the date a judgment of conviction against AGI US (the AGI US Conviction) is entered in the United States District Court for the Southern District of New York (the District Court) in case number 1:22-cr-00279-CM. Relief under this proposed exemption, if granted, will remain effective provided that the conditions set out below in Section III are met.

This proposed exemption would provide relief from certain of the restrictions set forth in ERISA Sections 406 and 407. It would not, however, provide relief from any other violation of law. Furthermore, the Department cautions that the relief under this proposed exemption would terminate immediately if, among other things, an affiliate of PIMCO’s (as defined in Section VI(d) of PTE 84–14) is convicted of a crime described in Section I(g) of PTE 84–14 (other than the AGI US Conviction) during the Exemption Period, as defined in Section I(c). Although PIMCO could apply for a new exemption in that circumstance, the Department would not be obligated to grant the exemption.

The terms of this proposed exemption have been specifically designed to permit plans to terminate their relationships in an orderly and cost-effective fashion in the event of an

additional conviction or a determination that it is otherwise prudent for a plan to terminate its relationship with an entity covered by the exemption.

### Summary of Facts and Representations<sup>4</sup>

#### *Relevant ERISA Provisions and PTE 84–14*

1. The rules set forth in ERISA Section 406 and Code Section 4975(c)(1) proscribe certain “prohibited transactions” between plans and certain parties in interest with respect to those plans.<sup>5</sup> ERISA Section 3(14) defines parties in interest with respect to a plan to include, among others, the plan fiduciary, a sponsoring employer of the plan, a union whose members are covered by the plan, service providers with respect to the plan, and certain of their affiliates.<sup>6</sup> The prohibited transaction provisions under ERISA Section 406(a) and Code Section 4975(c)(1) prohibit, in relevant part, (1) sales, leases, loans, or the provision of services between a party in interest and a plan (or an entity whose assets are deemed to constitute the assets of a plan), (2) the use of plan assets by or for the benefit of a party in interest, or (3) a transfer of plan assets to a party in interest.<sup>7</sup>

2. Under the authority of ERISA Section 408(a) and Code Section 4975(c)(2), the Department has the authority to grant exemptions from such “prohibited transactions” in accordance with the procedures set forth in 29 CFR part 2570, subpart B (76 FR 66637, 66644, October 27, 2011) if the Department finds an exemption is: (a) administratively feasible, (b) in the interests of the plan and of its participants and beneficiaries, and (c)

<sup>4</sup> The Summary of Facts and Representations is based on the Applicant’s representations provided in its exemption application and does not reflect factual findings or opinions of the Department unless indicated otherwise. The Department notes that availability of this exemption, is subject to the express condition that the material facts and representations contained in application D–12075 are true and complete at all times, and accurately describe all material terms of the transactions covered by the exemption. If there is any material change in a transaction covered by the exemption, or in a material fact or representation described in the application, the exemption will cease to apply as of the date of the change.

<sup>5</sup> For purposes of the Summary of Facts and Representations, references to specific provisions of Title I of ERISA, unless otherwise specified, refer also to the corresponding provisions of the Code.

<sup>6</sup> Under the Code, such parties, or similar parties, are referred to as “disqualified persons.”

<sup>7</sup> The prohibited transaction provisions also include certain fiduciary prohibited transactions under ERISA Section 406(b). These include transactions involving fiduciary self-dealing, fiduciary conflicts of interest, and kickbacks to fiduciaries.

<sup>1</sup> For purposes of this proposed exemption: (1) references to specific provisions of ERISA Title I, unless otherwise specified, should be read to refer as well to the corresponding provisions of Code Section 4975; and (2) if granted, this proposed exemption does not provide relief from the requirements of any law not noted above. Accordingly, the Applicant is responsible for ensuring compliance with any other laws applicable to the transactions described herein.

<sup>2</sup> 49 FR 9494 (March 13, 1984), as corrected at 50 FR 41430 (Oct. 10, 1985), as amended at 70 FR 49305 (Aug. 23, 2005), and as amended at 75 FR 38837 (July 6, 2010).

<sup>3</sup> Section I(g) of PTE 84–14 generally provides that “[n]either the QPAM nor any affiliate thereof . . . nor any owner . . . of a 5 percent or more interest in the QPAM is a person who within the 10 years immediately preceding the transaction has been either convicted or released from imprisonment, whichever is later, as a result of” certain felonies including securities fraud.

protective of the rights of participants and beneficiaries of the plan.

4. The QPAM Exemption exempts certain prohibited transactions between a party in interest and an “investment fund” (as defined in Section VI(b) of PTE 84–14) in which a plan has an interest if the investment manager satisfies the definition of “qualified professional asset manager” (QPAM) and satisfies additional conditions of the exemption. The Department developed and granted the QPAM Exemption based on the essential premise that broad relief could be afforded for all types of transactions in which a plan engages only if the commitments and investments of plan assets, and the negotiations leading thereto, are the sole responsibility of an independent, discretionary manager.<sup>8</sup>

5. Section I(g) of PTE 84–14 prevents an entity that may otherwise meet the definition of QPAM from utilizing the exemptive relief provided by the QPAM exemption, for itself and its client plans, if that entity, an “affiliate” thereof,<sup>9</sup> or any direct or indirect five percent or more owner in the QPAM has been either convicted or released from imprisonment, whichever is later, as a result of criminal activity described in section I(g) within the 10 years immediately preceding the transaction. Section I(g) was included in PTE 84–14, in part, based on the Department’s expectation that a QPAM, and those who may be in a position to influence a QPAM’s policies, must maintain a high standard of integrity.

#### *Criminal Charge Against AGI US*

6. On May 17, 2022, the Department of Justice filed a criminal information in the District Court for the Southern District of New York charging AGI US with one count of securities fraud (the Information).<sup>10</sup> AGI US resolved the charges through a plea agreement (the Plea Agreement) under which it agreed to enter a guilty plea to the charge set

out in the Information. The judgment of the Conviction against AGI US is scheduled to be entered in District Court on May 17, 2023, in Case Number 1:22-cr-00279-CM.<sup>11</sup>

#### *The Misconduct Underlying the AGI US Conviction*

7. According to the Statement of Facts that served as the basis for the Plea Agreement (the Statement of Facts), beginning in at least 2014 and continuing through March 2020, AGI US engaged in a scheme to defraud investors in a series of private investment funds (the Structured Alpha Funds) that at their height had over \$11 billion in assets under management (the Misconduct). The investors that were victims of the Misconduct included ERISA-covered Plans. The fraudulent scheme was carried out by the three managers in AGI US’s Structured Products Group who were primarily responsible for managing the Structured Alpha Funds (collectively, the Fund Managers).<sup>12</sup>

8. According to the Statement of Facts, AGI US made false and misleading statements to investors that substantially understated the risks being taken by the Structured Alpha Funds and failed to disclose, and sought to affirmatively withhold, relevant risk information. AGI US repeatedly represented to investors that their investments were low-risk and designed to minimize the risk of large losses. Despite these assurances, AGI US deployed an investment strategy that prioritized returns over effective risk management by, among other things, taking aggressive options bets and devoting insufficient resources to hedge positions. When investors sought to obtain documentation to assess investment risk, AGI US responded with manually altered data.

9. Beginning as early as 2015, AGI US represented to investors that the Structured Alpha Funds were purchasing hedges 10 to 25% out-of-the-money when, in fact, the hedges purchased were as much as 70% out-of-the-money. These further out-of-the-money hedges were cheaper and less protective in the event of a market downturn.

10. According to the Statement of Facts, AGI US altered over 75 risk reports and Greeks<sup>13</sup> that it sent to investors by manually changing “stress test” results to make it appear that, in

market downturns, the Structured Alpha Funds would lose less money. AGI US also altered: (a) daily performance data that it sent to investors by smoothing the Structured Alpha Funds’ day-to-day response to market downturns; (b) attribution data to make it appear that more significant hedging was in place; and (c) open position data to bring hedge strike distances closer to the money.

11. While the Misconduct was perpetrated by the three Fund Managers within AGI US’s Structured Products Group, these individuals were able to carry out the fraud, in part, because AGI US lacked sufficient internal controls and oversight for the Structured Alpha Funds. AGI US failed to impose sufficient internal controls even though the Structured Products Group contributed approximately one-quarter of AGI US’s revenue from at least 2016 through 2019.

12. In communications with Investors, AGI US described its internal controls based on the following “three lines of defense”: (a) the business, including portfolio management and sales; (b) Enterprise Risk Management (ERM), Compliance, and Legal departments; and (c) an Internal Audit function. AGI US’s control functions however were not designed and did not function to ensure that risk for the Structured Alpha Funds was being monitored in line with the disclosures AGI US made to investors. Specifically, no one in AGI US’s control function sought to verify that Tournant and the other Fund Managers were adhering to the hedging strategies communicated to investors. This lack of oversight occurred despite the fact that the materials containing these representations to investors were reviewed and approved by AGI US’s Legal and Compliance departments.

13. Further, AGU US’s Compliance, ERM, and Legal departments were unaware that many of the reports described above were being sent to investors at all, with or without alterations. The Fund Managers thus were able to employ more aggressive investment strategies than they had told investors they would employ, thereby exposing investors to undisclosed risk. Additionally, neither ERM nor any other independent function within AGI US was tasked with monitoring whether AGI US was adhering to the representations it had made to investors regarding the funds’ management.

14. As to audits, the third line of defense, AGI US’s Internal Audit department conducted an audit of the Structured Products Group in 2017 that identified certain red flags that, if pursued, may have led to the discovery

<sup>8</sup> See 75 FR 38837, 38839 (July 6, 2010).

<sup>9</sup> Section VI(d) of PTE 84–14 defines the term “affiliate” for purposes of Section I(g) as “(1) Any person directly or indirectly through one or more intermediaries, controlling, controlled by, or under common control with the person. (2) Any director of, relative of, or partner in, any such person. (3) Any corporation, partnership, trust or unincorporated enterprise of which such person is an officer, director, or a 5 percent or more partner or owner, and (4) Any employee or officer of the person who—(A) Is a highly compensated employee (as defined in Section 4975(e)(2)(H) of the Code) or officer (earning 10 percent or more of the yearly wages of such person), or (B) Has direct or indirect authority, responsibility or control regarding the custody, management or disposition of plan assets.”

<sup>10</sup> In violation of Title 15, United States Code, Sections 78j(b) and 78ff, Title 17, Code of Federal Regulations, Section 240.10b–5, and Title 18, United States Code, Section 2.

<sup>11</sup> The date the Conviction will be entered may change, subject to judicial approval.

<sup>12</sup> The three managers were Gregoire Tournant, Trevor Taylor, and Stephen Bond-Nelson.

<sup>13</sup> Greeks are a group of standard metrics for evaluating a portfolio’s market exposure.

of at least certain aspects of the fraudulent scheme. AGI US however did not perform any meaningful follow-up. And although the 2017 audit report “highlighted the need to thoroughly review marketing materials to ensure that the disclosure language accurately reflects the ongoing investment processes,” the audit did not trigger a review by anyone outside the Structured Products Group. Instead, Internal Audit assigned that review to product specialists within the Structured Products Group whose compensation was directly tied to the quarterly performance of the Structured Alpha Funds. Had an independent review occurred, AGI US’s control function could potentially have uncovered at least the misrepresentations regarding the hedging positions.

15. AGI US’s failure to address data quality issues in back-office functions allowed the Fund Managers’ fraudulent scheme to continue undetected. In this regard, multiple AGI US employees within the Structured Products Group who were not directly involved in the fraudulent scheme were nonetheless aware that Tournant and Bond-Nelson were altering numbers on certain reports before sending them to investors. To cover up their wrongdoing, Tournant and Bond-Nelson explained to their Structured Products colleagues that they were simply correcting “errors” in reporting generated by back-office functions. Because there were, in fact, ongoing issues with the back office’s data reporting, multiple members of the Structured Products Group who might otherwise have reported the fraudulent scheme instead accepted this explanation and carried on with their work without reporting the Misconduct.

#### Misconduct Was Isolated Within the Structured Products Group

16. In its Statement of Facts, the DOJ states that “[t]he misconduct occurred only within the small Structured Products Group at AGI US. The Government’s investigation has not revealed evidence that anyone at AGI US outside of the Structured Products Group was aware of the misconduct before March 2020. The investigation also has not revealed that anyone at any other organizations that fell within the broader umbrella of the parent company Allianz SE was aware of or participated in the misconduct.”

#### *PIMCO and the PIMCO Affiliated QPAMs*

17. PIMCO is a global investment management firm with \$2.2 trillion in total assets under management as of December 31, 2021. PIMCO manages

approximately \$156 billion in assets for ERISA plans, approximately \$1.89 billion in pooled funds, and approximately \$9.58 billion in collective investment trusts maintained for ERISA and public pension plan investors. PIMCO manages the assets of ERISA-covered plans on a discretionary basis and advises or subadvises pooled funds.

18. PIMCO owns affiliated asset managers that routinely rely upon the QPAM Exemption to provide relief for party-in-interest investment transactions (the PIMCO Affiliated QPAMs). In addition, PIMCO currently owns, directly or indirectly, a 5% or greater interest in certain investment managers that are not affiliated with PIMCO in the actual control sense (the PIMCO Related QPAMs). The clients of the PIMCO Affiliated and Related QPAMs include plans subject to Part IV of Title I of ERISA and plans subject to Code Section 4975, with respect to which the PIMCO QPAMs rely on the QPAM Exemption or have expressly represented that PIMCO managers qualify as a QPAM or rely on the QPAM Exemption. These plans are hereinafter referred to as Covered Plans.

19. PIMCO represents that most of its ERISA plan clients pursue fixed income investment strategies that are composed of long-term investment grade credit fixed income securities. PIMCO states that it uses derivatives as a means of managing investment risk, capitalizing on market inefficiencies, and executing alpha-seeking strategies. Where PIMCO has the authority to transact in derivatives, its plan clients expect PIMCO to deploy such instruments. In this regard, PIMCO states that the overwhelming majority of plan clients—82.3%—have directed PIMCO to use derivatives to manage their assets. According to PIMCO, derivatives are an essential component of PIMCO’s investment toolkit, as they play a number of important roles in managing plan portfolios, including (i) serving as a liquid means to manage credit risk through the use of cleared credit default index swaps (CDX) or credit default swaps (CDS), (ii) managing duration with potentially lower transaction costs than alternative approaches, (iii) managing currency exposure when purchasing foreign denominated securities, and (iv) sometimes serving as a more attractive substitute for the underlying security.

20. PIMCO represents that while cash bonds can be traded using several different exemptions, including PTE 75–1, Part II and ERISA Section 408(b)(17), CDS and CDX can only be traded using the QPAM Exemption or the INHAM

Class Exemption.<sup>14</sup> Additionally, all futures contracts traded under PIMCO’s clearing contracts require a QPAM representation.

#### *PIMCO’s Affiliation With AGI US*

21. PIMCO is a direct subsidiary of the following three entities that are indirectly wholly owned by Allianz SE (Allianz): (1) Allianz Asset Management of America L.P. (AAM) (77.9 percent ownership of PIMCO); (2) Allianz Asset Management of America LLC (11.4 percent ownership of PIMCO), and (3) Allianz Asset Management Holding II LLC (2.4 percent of PIMCO). PIMCO’s parent and managing member is AAM, which is generally responsible for oversight of PIMCO on behalf of Allianz. Allianz is PIMCO’s ultimate parent company. Allianz also indirectly owns 100 percent of AGI US, the entity that engaged in the fraudulent scheme. Thus, PIMCO and AGI US are affiliates for the purposes of Section I(g) of the QPAM Exemption.

#### *PIMCO’s QPAM Exemption Ineligibility and Exemption Request*

22. As affiliates of AGI US, the PIMCO Affiliated QPAMs will no longer be able to rely on the relief provided by the QPAM Exemption once AGI US is sentenced in connection with its Conviction.

23. On May 17, 2022, PIMCO filed an application with the Department requesting an exemption that would permit the PIMCO Affiliated QPAMs and PIMCO Related QPAMs to continue to rely on the QPAM Exemption, notwithstanding the AGI US Conviction. As noted above, Section I(g) of the QPAM Exemption prevents an entity that otherwise meets the definition of a QPAM from utilizing the exemptive relief provided by PTE 84–14 if that entity or an affiliate thereof or any direct or indirect owner of a 5 percent or more interest in the QPAM has been either convicted or released from imprisonment, whichever is later, as a result of criminal activity described in that section within 10 years immediately preceding the transaction. In support of its exemption request, PIMCO emphasizes that it operates completely independently from AGI US and that a denial of the exemption would result in certain hardships to Covered Plans.

<sup>14</sup> PTE 96–23 is a class exemption that permits various transactions involving employee benefit plans whose assets are managed by in-house asset managers (INHAMs). See 61 FR 15975 (April 10, 1996).

### Separation of PIMCO From AGI US

*The Applicant made the following representations regarding how PIMCO acts independently from AGI US. These representations are set forth below in paragraphs 24 through 38.*

24. PIMCO and the PIMCO Affiliated QPAMs operate autonomously and independently from both Allianz and AGI US, and PIMCO has no directors, officers, or employees in common with Allianz, AAM, or any other Allianz subsidiary. Allianz employees do not have access to PIMCO's systems and are not involved in any way in the PIMCO Affiliated QPAMs' investment processes. Since Allianz acquired PIMCO in 2000, PIMCO's investment management processes have remained separate from those of Allianz to avoid restrictions that would result if PIMCO and Allianz were operated as a single coordinated entity. PIMCO and Allianz in fact entered into agreements at the time of the acquisition that provided PIMCO with substantial autonomy and independence in its management.

25. The PIMCO Affiliated QPAMs operate as separate businesses from AGI US. The PIMCO Affiliated QPAM's management of plan assets is conducted separately from (a) the investment management activities of AGI US; (b) the non-investment management business activities of Allianz, and (c) the conduct underlying the AGI US Conviction. Further, Allianz employees are not involved in the portfolio management of PIMCO accounts, nor do they supervise or oversee the PIMCO Affiliated QPAMs' portfolio management activities. Investment decisions for PIMCO accounts, including decisions regarding investment strategy, are made by PIMCO Affiliated QPAM personnel pursuant to PIMCO policies, procedures, and guidelines, without consultation with Allianz or AGI US.

26. Allianz has delegated to the PIMCO Management Board the authority to manage all of PIMCO's business affairs, except for certain extraordinary matters where Allianz retains approval rights. The PIMCO Management Board, which is comprised solely of PIMCO's Managing Directors, relies upon the PIMCO Executive Committee as the primary governance body for review and approval of significant matters. There are no representatives of Allianz (or other non-PIMCO personnel) on the Management Board. As described below, the Management Board has delegated substantially all of its operating authority to the PIMCO Executive Committee and, with respect to

compensation matters, the PIMCO Performance and Compensation Committee (PCC). Certain key decisions however are retained by the Management Board, including the power to: (a) elect existing employees to Managing Director, (b) nominate and elect PIMCO's CEO and Group Chief Investment Officer, and (c) determine the composition of the Executive Committee and the PCC.

27. The PIMCO Executive Committee has authority for most significant matters and is currently composed of nine voting members and two non-voting members, all of whom are PIMCO Managing Directors. The Charter of the Executive Committee provides additional background regarding "matters of significance to the business or operations" of PIMCO that are required to be "escalated to the [Executive] Committee for consideration and (as applicable) approval."<sup>15</sup>

The Executive Committee has established certain principal committees to oversee key areas of PIMCO. These committees are complemented by formal departmental and organizational lines of reporting and are typically comprised of senior officers from a cross-section of internal disciplines. Further, the committees are designed to serve as an additional control over specific functional areas and are generally separate and apart from the first-line controls that are in place in the form of clearly delineated departmental responsibilities. They include, for example, PIMCO's Global Risk Committee.

28. PIMCO's Senior Executive Officers are elected by the PIMCO Management Board and may be removed by the PIMCO Executive Committee and PCC. The PIMCO CEO and the Group CIO are the senior-most officers of PIMCO and are responsible for day-to-day leadership of PIMCO operations. They are each elected by the Management Board (2/3 majority) and remain in office

<sup>15</sup> Matters include, among others, the annual budget and business plan for PIMCO and its subsidiaries; material deviations from the approved budget or business plan; corporate transactions involving PIMCO, including acquisitions of or mergers with another business or company; disposition of all or any significant portion of assets of a PIMCO company and/or the exiting from a material business area; significant reductions in staff or layoffs; material out of the ordinary course transactions or contracts; establishment or closure of a PIMCO office, branch or subsidiary; initiation of a new business area and development of new products; determination of PIMCO's risk appetite, and material deviations from the same; material changes to human resources, risk or compliance policies; and approach to and resolution of significant audit issues. Except for those key decisions where AAM's consultation or consent is required, none of the foregoing matters are escalated for approval or consent to AAM.

until they retire, resign, or are terminated. While AAM has the right to approve any person proposed to fill such roles, neither AAM nor Allianz has disapproved of any person selected for a Senior Executive Officer role by the PIMCO Management Board. In addition, neither AAM nor Allianz has the authority to remove any such person, having delegated that authority to the PIMCO Management Board.

29. AAM has reserved for itself certain consent rights, including the authority to approve PIMCO's annual budget, approval of the hiring of certain senior officers, including the CEO and Group Chief Investment Officer, approval of changes to compensation plans and arrangements, fundamental changes to PIMCO's business, and significant financial transactions. However, in practice, AAM has not exercised these consent rights to disapprove of any of PIMCO's changes, transactions, or proposed senior officers.

While AAM has retained the authority to require PIMCO to meet certain minimum corporate standards relating to audit, accounting and reporting, legal and compliance, and risk management, PIMCO confirms its compliance with those standards through an annual statement of accountability and quarterly statements of accountability limited to financial controls. Importantly, none of the AAM standards covers investment-related decisions. Moreover, decisions on how to allocate resources to meet AAM's minimum standards and whether to implement controls that go beyond such minimum standards are left to the discretion of PIMCO's management.

30. Allianz and the other Allianz subsidiaries do not have a role in the governance of PIMCO's global subsidiaries. PIMCO's global offices are primarily organized as direct or indirect subsidiaries of PIMCO, and each has its own defined governance structure. Nonetheless, PIMCO's global affiliates are subject to PIMCO's oversight as the direct or indirect parent entity. Except as otherwise required by applicable local law, PIMCO conducts oversight of its global affiliates through the application of PIMCO's global policies.

31. Allianz employees are not involved in the portfolio management of PIMCO accounts, nor do they supervise or oversee PIMCO's portfolio management activities. Investment decisions for PIMCO accounts, including decisions regarding investment strategy, are made by PIMCO personnel pursuant to PIMCO policies, procedures, and guidelines, without consulting with Allianz or AGI US's employees, and all investment

management functions report to PIMCO's Group CIO. PIMCO's Investment Committee, which is composed of PIMCO's CIOs and most senior investment professionals, translates the firm's macroeconomic views into specific investment risk targets which serve as parameters for every PIMCO investment portfolio.

32. Portfolio Risk Management at PIMCO is managed independently of risk management functions at Allianz as well as other Allianz asset management subsidiaries. PIMCO's Portfolio Risk Management team is fully integrated into PIMCO's investment process and sits alongside the Portfolio Management team on the trading floor. Portfolio Risk Management is headed by a Managing Director (the most senior executive level at PIMCO) who reports directly to both PIMCO's Group CIO and CEO and is a permanent member of the firm's Investment Committee. Further, the Portfolio Risk Management team maintains close contact with the firm's leadership through regular updates to the Investment Committee, weekly reviews with the CIO, and monthly reviews with the CEO.

33. PIMCO does not share information or coordinate investment management decisions with Allianz or other Allianz asset management subsidiaries, including AGI US. Among other things, PIMCO does not share investment research, portfolio holdings, client information, or trade information, and all trading decisions are made independently. Further, PIMCO does not coordinate proxy voting and makes all decisions, including decisions with respect to the valuation of securities, independently and pursuant to its own valuation policies and procedures. Further, PIMCO's products, including funds for which PIMCO Investments is the principal underwriter, are distributed independently; and PIMCO's technology and proprietary trading systems are not shared.

34. PIMCO does contract with Allianz insurance subsidiaries for the management of insurance portfolios, and therefore PIMCO shares information and holdings with respect to those activities as they would with their other clients. Regarding Allianz as a parent, information flows are limited to those necessary for appropriate prudent oversight, supervision of controls, and groupwide financial reporting and regulatory requirements.

35. Allianz, as PIMCO's parent, sets certain minimum group-level standards for control functions, including compliance and risk management. However, PIMCO's compliance and risk management programs are developed

and administered independently of AAM or Allianz. In this regard, these programs do not use Allianz personnel or resources, and their leaders report directly to other senior executives at PIMCO, not to AAM or Allianz.

36. PIMCO's Global Head of Compliance and Chief Compliance Officer (Global Head of Compliance and CCO) leads the firm's global compliance program and oversees the Compliance staff responsible for formulating and administering the firm's policies and procedures and reviewing the adequacy of their effectiveness and implementation. The Global Head of Compliance and CCO reports to PIMCO's General Counsel for Global Regulatory and Litigation, who leads the firm's integrated regulatory strategies. That person in turn reports to PIMCO's Global General Counsel, who heads PIMCO's Legal and Compliance Department.

37. PIMCO utilizes internal auditors, employed by AAM, as an outsourced internal function. Global audits of PIMCO are managed by an individual at AAM who is different from the person who manages global audits for AGI US. PIMCO believes that this arrangement provides a useful layer of independence and objectivity to audits of PIMCO. The Internal Audit team begins its audits with a launch discussion with the business area being audited, together with Compliance and Enterprise Risk Management, followed by a kickoff meeting with the head of that business area, together with Compliance. At the end of its fieldwork, Internal Audit shares its draft report with the business area and Compliance to ensure factual accuracy. Thus, at the beginning and end of an audit, PIMCO Compliance—in addition to the relevant business area—is aware of the purpose, scope, and results of any audit. Further, audit findings are escalated to PIMCO's Audit Committee, which is chaired by PIMCO's Global General Counsel, if the audited business area does not complete the required corrective actions by the original target date.

38. Finally, hiring, termination, and compensation decisions for the PIMCO Affiliated QPAMs' personnel and executives are determined entirely pursuant to the PIMCO Affiliated QPAMs' processes, independent of any influence by Allianz and Allianz asset management subsidiaries. Allianz (but no other Allianz affiliate) retains the right to approve the hiring of PIMCO's CEO, Group CIO, CFO, General Counsel, and head of Compliance.

#### *Hardship to Covered Plans*

*The Applicant represents that Covered Plans would suffer the following hardships if PIMCO loses its eligibility to rely on the QPAM Exemption. The Applicant's representations are set forth below in paragraphs 39 through 46.*

39. Without the ability to rely upon the QPAM exemption, PIMCO will be unable to effectively implement the investment strategies that Covered Plans engaged PIMCO to pursue. As a consequence, PIMCO assumes that Covered Plans will terminate their relationship with PIMCO and seek out alternative asset managers. The transaction costs to Covered Plans of changing managers are significant, especially in many of the strategies employed by the PIMCO Affiliated QPAMs. These costs, which include the cost of liquidating assets, identifying and selecting new managers, and then reinvesting those assets, would be borne by the Covered Plans and their participants. Further, the process for transitioning to a new manager is typically lengthy and likely would involve numerous steps, each of which could last several months. These steps could include retaining a consultant, engaging in a request for proposals, negotiating contracts, and ultimately transitioning assets.

40. PIMCO currently manages 451 ERISA plan institutional separate accounts, representing \$170.35 billion in assets under management. 82.3% of these 451 plan accounts, representing \$155.15 billion in assets, invest in cash bonds and derivatives, whereas 17.7% of the accounts, representing \$15.2 billion in assets, invest only in cash bonds. Because of the critical role played by derivatives, PIMCO believes that a Covered Plan that selects PIMCO to actively manage its fixed income portfolio pursuant to a broad set of guidelines, including derivatives, would be unlikely to retain PIMCO to run a cash bond strategy in the absence of the QPAM Exemption. Based on its understanding of the experience of other asset managers who did not receive a QPAM exemption, and who lost at least some plan business, PIMCO believes that it is likely that many of its plan clients whose guidelines permit derivatives would terminate their relationship if PIMCO could no longer trade in derivatives for those plans because PIMCO would be limited in its ability to manage a portfolio consistent with such clients' objectives. The Department notes that PIMCO is unable to give a precise estimate of the size or significance of the plan assets affected

and invites public comment on the likely impacts.

41. Below is an assessment by PIMCO of the potential harm to Covered Plans if this exemption is not granted, both in the aggregate and with respect to a representative Covered Plan account, under orderly, stressed, and expedited scenarios in which all the Plans decide to terminate their relationships with PIMCO: (1) under an “orderly” scenario, PIMCO would have one year to liquidate client portfolios; (2) the “stressed” scenario is based on input from PIMCO’s trading desks and designed to be an estimate of stressed market conditions based on the previous six months of trading; (3) the “expedited” scenario applies a 4x factor to the stressed scenario and contemplates clients directing PIMCO to liquidate under a very short time frame (*i.e.*, 30 days);<sup>16</sup> PIMCO views each of these scenarios as plausible. While these charts assume for estimation purposes that all PIMCO’s Plan customers would terminate their existing relationships with PIMCO, the applicant does not assert that it is likely that all PIMCO’s plan customers, in fact, would terminate their existing relationships. Accordingly, the public and PIMCO are invited to comment on the reasonableness of the assumptions and the estimates below, and on the likely magnitude of termination decisions.

42. In the absence of an exemption, PIMCO represents that Covered Plans that choose to remain with PIMCO would have a circumscribed set of transactions available to them and could be prohibited from engaging in certain transactions that would be beneficial, such as hedging transactions using over-the-counter options or derivatives. Counterparties to such transactions are far more comfortable with the QPAM Exemption than any other existing exemption, and the unavailability of the QPAM Exemption could trigger a default or early termination. Even if

other exemptions were acceptable to such counterparties, the cost of the transaction might well increase to reflect any lack of comfort.

43. The PIMCO Affiliated QPAMs also have entered, and could in the future enter, into contracts for other transactions such as swaps, forwards, real estate financing and leasing on behalf of their ERISA clients. The Applicant represents that: (a) these and other strategies and investments require the PIMCO Affiliated QPAMs to meet the conditions of the QPAM Exemption; (b) the loss of the QPAM Exemption could disrupt the plans using each of these strategies, as counterparties to those transactions could seek to terminate their contracts, resulting in significant losses to their Covered Plan clients; and (c) certain derivatives transactions and other contractual agreements automatically and immediately could be terminated, without notice or action, or could become subject to termination upon notice from a counterparty in the event the Applicant no longer qualifies for relief under the QPAM Exemption.

44. The question of which applicable exemption can be used is entirely in the discretion of the counterparty; if the counterparty is uncomfortable with the risks presented by other exemptions, it will simply terminate the ongoing transaction based on the plan’s default (considered to occur if its investment manager is no longer able to use the QPAM Exemption). While PIMCO could argue that other exemptions apply, whether to accept that exemption is the decision of the counterparty, and the strongest counterparties generally will take the smallest legal risk on exemptive relief. Because the Department has never issued any guidance on the applicability of other exemptions to cleared and over-the-counter swaps, PIMCO’s Covered Plan clients could be at a disadvantage with respect to those transactions.

45. PIMCO represents that the cost of terminating an investment is the difference between the bid and ask on the instrument since, generally, these investments are terminated earlier than contemplated and on the counterparty’s side of the market. Some investments, however, are more liquid than others (*e.g.*, Treasury bonds generally are more liquid than foreign sovereign bonds, and equities generally are more liquid than swaps). Some of the strategies followed by the PIMCO Affiliated QPAMs tend to be less liquid than certain other strategies and, thus, the cost of a transition would be significantly higher than, for example, liquidating a large cap equity portfolio. The Applicant believes that, depending on the strategy, the cost of liquidating assets in connection with transitioning clients to another manager could be significant.

The Applicant estimates that Covered Plan clients following a core bond strategy would be materially impacted if the PIMCO Affiliated QPAMs were required to liquidate assets on an expedited basis. In this scenario, the Applicant estimates that a core bond strategy could incur liquidation costs of approximately 15 to 45 basis points, assuming normal market conditions, and approximately 90 to 215 basis points in stressed market conditions.

46. The Applicant represents that substantial transaction costs would be incurred if plan investors decided to withdraw from funds that are not deemed to hold plan assets. Regarding private funds that do not hold ERISA plan assets, but which may decide to redeem if the PIMCO Affiliated QPAMs are no longer able to rely on the QPAM Exemption, those redemptions would be harmful for the redeeming plans and could adversely affect others in the private fund as well.

#### Overall

Instrument	Total AUM	Loss (orderly)	BPS loss (stressed)	BPS loss (expedited)
Cash Bonds ..... (451 Plans) .....	\$170.35B .....	16.21 bps .... \$276.14 mm .....	41.70 bps .... \$710.36 mm .....	166.80 bps. \$2.84B.
Cleared Swaps ..... (318 Plans) .....	\$133.31B .....	0.41 bps ..... \$5.50 mm ....	0.90 bps ..... \$12.04 mm ..	3.61 bps. \$48.06 mm.
Other Derivatives (365 Plans) .....	\$151.74B .....	0.38 bps ..... \$5.71 mm. ...	1.07 bps. .... \$16.20 mm ..	4.27 bps. \$64.8 mm.

<sup>16</sup> Covered Plan clients could direct PIMCO to promptly liquidate their portfolio(s) for a variety of reasons, including to avoid selling into a distressed market, separating from PIMCO in anticipation of

mass departure of talent, or termination due to breach of QPAM representation. In this circumstance, brokers also may have some awareness of PIMCO’s liquidation requirements and

engage in predatory trading, knowing PIMCO is required to sell, which could result in wider bid-ask spreads.



**Representative Plan Account With  
AUM of \$3.33B:**

Instrument	Loss (orderly)	BPS loss (stressed)	BPS loss (expedited)
Cash Bonds .....	22.5 bps ..... \$7.514 mm ..	58.2 bps ..... \$19.435 mm	232.84 bps. \$77.743 mm.
Cleared Swaps .....	0.6 bps ..... \$204,793 .....	1.4 bps ..... \$456,722 .....	5.47 bps. \$1.826 mm.
Other Derivatives .....	0.2 bps ..... \$63,513 .....	1.07 bps ..... \$157,570 .....	1.89 bps. \$630,279.

*Partial Liquidation:* PIMCO states that it is also possible that certain Covered Plan accounts would merely direct PIMCO to cease using derivatives, in which case PIMCO represents that their portfolios would need to be repositioned to align the portfolio with the plan's objectives. While PIMCO acknowledges that it does not have the ability to make a more precise estimate of the probability that their clients would seek to use other managers, it represents that the inability to rely on the QPAM exemption in connection with certain derivatives would, among other things, inhibit PIMCO's ability to manage a portfolio consistent with a Plan client's objectives and therefore it is possible and, in many cases, likely that such clients would seek to use other managers. There would be certain transaction costs associated with liquidating the derivative positions and separately reinvesting the cash into bonds to reposition the portfolio. Using the representative portfolio above, the chart below reflects PIMCO's best estimates for liquidating the derivative positions and reinvesting the portfolio in cash bonds. For purposes of this estimate, PIMCO assumed that the repositioning must occur on an expedited timeline. Additionally, although not reflected below there would likely be heightened transaction costs in order to maintain and adjust the positioning of the portfolio over time due to PIMCO's inability to use derivatives.

Instrument	Bps loss (expedited)	\$ loss (expedited)
Cash bond re-investment.	50 bps .....	\$16.7 mm.
Cleared Swaps.	5.47 bps .....	\$1.826 mm.
Other Derivatives.	1.89 bps .....	\$630,279.

**Proposed Exemption's Protective  
Conditions**

47. The Department may grant administrative exemptions under ERISA Section 408(a) only if it finds that such exemptions are administratively

feasible, and protective of, and in the interest of, affected Covered Plans. This proposed exemption contains several protective conditions that would allow Covered Plans to continue to utilize the services of the PIMCO Affiliated and Related QPAMs.

48. If this proposed exemption is granted as proposed, it would allow Covered Plans to avoid costs and disruption to investment strategies the Applicant represents could arise if such Covered Plans are forced, on short notice, to hire a different QPAM or asset manager because the PIMCO Affiliated and Related QPAMs are no longer able to rely on the relief provided by PTE 84–14. Covered Plan fiduciaries however are cautioned that the Department's decision to propose this exemption should not be taken, in any way, as an indication that PIMCO asset managers will be granted exemptive relief in connection with this proposal or receive additional exemptive relief in the future.

49. The Department notes that PIMCO's high level of independence from AGI US is critically important to this exemption, and the relief hereunder is premised on the Applicant's representations that PIMCO was completely isolated from, and unaware of, the Misconduct perpetrated within AGI US and the Structured Products Group. It is a material condition of this exemption that the PIMCO Affiliated and Related QPAMs (including their officers, directors, agents, and employees of such QPAMs), other than Gregoire Tournant, Trevor Taylor, and Stephen Bond-Nelson, did not know or have reason to know of, and did not participate in the Misconduct that is the subject of the AGI US Conviction.

Further, no other party engaged on behalf of the PIMCO Affiliated QPAMs or the PIMCO Related QPAMs who was responsible for or exercised authority in connection with the management of plan assets knew or had reason to know of the Misconduct that is the subject of the AGI US Conviction nor participated in such Misconduct.

50. The protective conditions in this proposed exemption include a requirement that the PIMCO Affiliated QPAMs do not currently and may not in the future employ or knowingly engage any of the individuals who participated in the Misconduct that is the subject of the AGI US Conviction.

51. This proposed exemption prohibits a PIMCO Affiliated QPAM from using its authority or influence to direct an "investment fund" (as defined in Section VI(b) of PTE 84–14) that is subject to ERISA or the Code to enter into any transaction with AGI US, or to engage AGI US to provide any service to such investment fund, regardless of whether such transaction or service may otherwise be within the scope of relief provided by an administrative or statutory exemption. Further, other than with respect to employee benefit plans maintained or sponsored for its own employees or the employees of an affiliate, AGI US may not act as a fiduciary within the meaning of ERISA Section 3(21)(A)(i) or (iii), or Code Section 4975(e)(3)(A) and (C), with respect to Covered Plan assets.

52. This proposed exemption requires each PIMCO Affiliated QPAM to develop, maintain, and adjust, to the extent necessary, implement, and follow written policies and procedures (the Policies) that are reasonably designed to ensure that: (a) the asset management decisions of the PIMCO Affiliated QPAMs are conducted independently of AGI US's corporate management and business activities; (b) the PIMCO Affiliated QPAMs fully comply with ERISA's fiduciary duties and with ERISA's and the Code's prohibited transaction provisions; (c) the PIMCO Affiliated QPAMs do not knowingly participate in any other person's violation of ERISA or the Code with respect to Covered Plans; (d) any filings or statements made by the PIMCO Affiliated QPAMs to regulators on behalf of, or in relation to, Covered Plans are materially accurate and complete; (e) the PIMCO Affiliated QPAMs do not make material misrepresentations or omit material



information in their communications with such regulators, or in their communications with Covered Plans; and (f) that the PIMCO Affiliated QPAMs comply with the terms of this proposed exemption, if granted.

53. This proposed exemption requires each PIMCO Affiliated QPAM to develop, implement and maintain a training program (the Training) that is conducted at least annually for all relevant asset/portfolio management, trading, legal, compliance, and internal audit personnel. This required Training must, at a minimum, cover the Policies, ERISA and Code compliance, ethical conduct, the consequences for not complying with the conditions described in this proposed exemption, and the requirement for prompt reporting of wrongdoing.

54. This proposed exemption requires that each PIMCO Affiliated QPAM submit to biennial audits conducted by an independent auditor to evaluate the adequacy of and the PIMCO Affiliated QPAM's compliance with the Policies and Training required by the exemption. The independent auditor must be prudently selected and have appropriate technical training and proficiency with ERISA and the Code to perform the tasks required by the exemption. Further, the PIMCO Affiliated QPAMs must grant the auditor unconditional access to their business, and the auditor's engagement must specifically require the auditor to test each PIMCO Affiliated QPAM's operational compliance with the Policies and Training.

55. The independent auditor must issue a written audit report (the Audit Report) to PIMCO and the PIMCO Affiliated QPAM to which the audit applies describing the procedures performed by the auditor in connection with its examination. Further, the PIMCO Affiliated QPAMs must promptly address any identified instance of noncompliance and must promptly address, or prepare a written plan of action to address, any determination as to the adequacy of the Policies and Training and the auditor's recommendations, if any, with respect to strengthening the Policies and Training of the respective PIMCO Affiliated QPAM.

56. This proposed exemption further requires the general counsel or one of the three most senior executive officers of the PIMCO Affiliated QPAM to which the Audit Report applies to certify in writing and under penalty of perjury that the officer has reviewed the Audit Report and the exemption, if granted, and that the PIMCO Affiliated QPAM has addressed, corrected, and remedied

(or has an appropriate written plan to address) any identified instance of noncompliance or inadequacy regarding the Policies and Training identified in the Audit Report.

57. With respect to any arrangement, agreement, or contract between a PIMCO Affiliated QPAM and a Covered Plan, this proposed exemption requires the PIMCO Affiliated QPAMs to agree and warrant to: (a) comply with ERISA and the Code, including the standards of prudence and loyalty set forth in ERISA Section 404; (b) refrain from engaging in prohibited transactions that are not otherwise exempt; (c) indemnify and hold harmless the Covered Plan for any actual losses resulting directly from, among other things, the PIMCO Affiliated QPAM's violation of ERISA's fiduciary duties; (d) with narrow exceptions, not restrict the ability of the Covered Plan to terminate or withdraw from its arrangement with the PIMCO Affiliated QPAM with respect to any investment in a separately managed account or pooled fund subject to ERISA and managed by such QPAM; (e) with narrow exceptions, not impose any fees, penalties, or charges for such termination or withdrawal; and (f) not include exculpatory provisions disclaiming or otherwise limiting the liability of the PIMCO Affiliated QPAM for a violation of such agreement's terms.

58. Each PIMCO Affiliated QPAM must further provide a notice of its obligations under this proposed exemption to each Covered Plan and each PIMCO Affiliated QPAM also must provide a **Federal Register** copy of the notice of the exemption, a separate summary describing the facts that led to the AGI US Conviction (the Summary), and a prominently displayed statement (the Statement) that the AGI US Conviction results in a failure to meet a condition in PTE 84-14 to each sponsor and beneficial owner of a Covered Plan.

59. Finally, this proposed exemption requires PIMCO to designate a senior compliance officer (the Compliance Officer) who will be responsible for the PIMCO Affiliated QPAMs' compliance with the Policies and Training requirements described in this exemption. The Compliance Officer must conduct five separate reviews covering each of the five consecutive twelve-month periods that comprise the Exemption Period (the Exemption Review). With respect to each Exemption Review, the Compliance Officer must determine the adequacy and effectiveness of the implementation of the Policies and Training and must issue a written report (the Exemption Report) summarizing their findings.

### *Statutory Findings*

60. Based on the conditions that are included in this proposed exemption, the Department has tentatively determined that the relief sought by the Applicant would satisfy the statutory requirements for an exemption under ERISA Section 408(a).

61. *The Proposed Exemption is "Administratively Feasible."* The Department has tentatively determined that the proposed exemption is administratively feasible since, among other things, a qualified independent auditor will be required to perform an in-depth audit covering each PIMCO Affiliated QPAM's compliance with the terms of the exemption, and a corresponding written audit report will be provided to the Department and be made available to the public. The Department notes that the independent audit will provide an incentive for compliance while reducing the immediate need for review and oversight by the Department.

62. *The Proposed Exemption is "In the Interest of the Plan."* The Department has tentatively determined that the proposed exemption is in the interests of the participants and beneficiaries of affected Covered Plans. It is the Department's understanding, based on representations from the Applicant, that if the requested exemption is denied, Covered Plans may be forced to find other managers at a potentially significant cost. According to the Applicant, ineligibility under Section I(g) of the QPAM Exemption would deprive the Covered Plans of the investment management services that these plans expected to receive when they appointed the PIMCO Affiliated QPAMs and could result in the termination of relationships that the fiduciaries of the Covered Plans have determined to be in the best interests of those plans.

63. *The Proposed Exemption is "Protective of the Plan."* The Department has tentatively determined that the proposed exemption is protective of the interests of the participants and beneficiaries of affected Covered Plans. As described above, the proposed exemption is subject to a suite of conditions that include, but are not limited to: (a) the development and maintenance of the Policies; (b) the development and implementation of the Training; (c) a robust audit conducted by a qualified independent auditor; (d) the provision of certain agreements and warranties to Covered Plans by the PIMCO Affiliated QPAMs; (e) specific notices and disclosures to Covered Plans concerning the circumstances

necessitating the need for exemptive relief and the PIMCO Affiliated QPAMs' obligations under this exemption; and (f) the designation of a Compliance Officer who must ensure that the PIMCO Affiliated QPAMs continue to comply with the Policies and Training requirements of this exemption.

#### Summary

64. This exemption, if granted, will provide relief from certain of the restrictions set forth in ERISA Section 406 and Code Section 4975(c)(1). No relief or waiver of a violation of any other law is provided by the exemption. The relief in this proposed exemption would terminate immediately if, among other things, an affiliate of PIMCO's (as defined in Section VI(d) of PTE 84-14) is convicted of a crime described in Section I(g) of PTE 84-14 (other than the AGI US Conviction) during the Exemption Period. While PIMCO could request a new exemption in that event, the Department would not be obligated to grant the request. Consistent with this proposed exemption, the Department's consideration of additional exemptive relief is subject to the findings required under ERISA Section 408(a) and Code Section 4975(c)(2).<sup>67</sup>

65. When interpreting and implementing this exemption, the Applicant and the PIMCO Affiliated QPAMs should resolve any ambiguities by considering the exemption's protective purposes. To the extent additional clarification is necessary, these persons or entities should contact EBSA's Office of Exemption Determinations, at 202-693-8540.

66. Based on the conditions that are included in this proposed exemption, the Department has tentatively determined that the relief sought by the Applicant would satisfy the statutory requirements for an individual exemption under ERISA Section 408(a) and Code Section 4975(c)(2).

#### Notice to Interested Persons

Notice of the proposed exemption will be provided to all interested persons within fifteen (15) days of the publication of the notice of proposed five-year exemption in the **Federal Register**. The notice will be provided to all interested persons in the manner approved by the Department and will contain the documents described therein and a supplemental statement, as required pursuant to 29 CFR 2570.43(a)(2). The supplemental statement will inform interested persons of their right to comment on and to request a hearing with respect to the pending exemption. All written comments and/or requests for a hearing

must be received by the Department within forty-five (45) days of the date of publication of this proposed five-year exemption in the **Federal Register**. All comments will be made available to the public.

**Warning:** If you submit a comment, EBSA recommends that you include your name and other contact information in the body of your comment, but DO NOT submit information that you consider to be confidential, or otherwise protected (such as Social Security number or an unlisted phone number) or confidential business information that you do not want publicly disclosed. All comments may be posted on the internet and can be retrieved by most internet search engines.

#### General Information

The attention of interested persons is directed to the following:

(1) The fact that a transaction is the subject of an exemption under ERISA Section 408(a) and/or Code Section 4975(c)(2) does not relieve a fiduciary or other party in interest or disqualified person from certain other provisions of ERISA and/or the Code, including any prohibited transaction provisions to which the exemption does not apply and the general fiduciary responsibility provisions of ERISA Section 404, which, among other things, require a fiduciary to discharge their duties respecting the plan solely in the interest of the participants and beneficiaries of the plan and in a prudent fashion in accordance with ERISA Section 404(a)(1)(B); nor does it affect the requirement of Code Section 401(a) that the plan must operate for the exclusive benefit of the employees of the employer maintaining the plan and their beneficiaries;

(2) Before an exemption may be granted under ERISA Section 408(a) and/or Code Section 4975(c)(2), the Department must find that the exemption is administratively feasible, in the interests of the plan and of its participants and beneficiaries, and protective of the rights of participants and beneficiaries of the plan;

(3) The proposed exemption would be supplemental to, and not in derogation of, any other provisions of ERISA and/or the Code, including statutory or administrative exemptions and transitional rules. Furthermore, the fact that a transaction is subject to an administrative or statutory exemption is not dispositive of whether the transaction is, in fact, a prohibited transaction; and

(4) The proposed exemption would be subject to the express condition that the

material facts and representations contained in the application are true and complete at all times and that the application accurately describes all material terms of the transactions which are the subject of the exemption.

(5) The Department notes that all of the material facts and representations set forth in the Summary of Facts and Representations must be true and accurate at all times, and that the relief provided herein is conditioned upon the veracity of all material representations made by the Applicant.

#### Proposed Exemption

The Department is considering granting a five-year exemption under the authority of ERISA Section 408(a) and Internal Revenue Code (or Code) section 4975(c)(2), and in accordance with the exemption procedures regulation.<sup>17</sup> Effective December 31, 1978, section 102 of Reorganization Plan No. 4 of 1978, 5 U.S.C. App. 1 (1996), transferred the authority of the Secretary of the Treasury to issue exemptions of the type requested by the Applicant to the Secretary of Labor. Therefore, this notice of proposed exemption is issued solely by the Department.

#### Section I. Definitions

(a) The term "AGI US" means Allianz Global Investors U.S. LLC.

(b) The term "AGI US Conviction" means the judgment of conviction against AGI US for one count of securities fraud in violation of Title 15, United States Code, Sections 78j(b) and 78ff, Title 17, Code of Federal Regulations, Section 240.10b-5, and Title 18, United States Code, Section 2, entered in the District Court for the US District Court Southern District of New York (the District Court) case number 1:22-cr-00279-CM.

(c) The term "Covered Plan" means a plan subject to Part IV of Title I of ERISA (an "ERISA-covered plan") or a plan subject to Code section 4975 (an "IRA"), in each case, with respect to which a PIMCO Affiliated QPAM or a PIMCO Related QPAM relies on PTE 84-14, or with respect to which a PIMCO Affiliated QPAM (or any PIMCO affiliate) has expressly represented that the manager qualifies as a QPAM or relies on the QPAM class exemption (PTE 84-14 or the QPAM Exemption).<sup>18</sup>

<sup>17</sup> 29 CFR part 2570, subpart B (76 FR 66637, 66644, October 27, 2011). For purposes of this proposed five-year exemption, references to ERISA section 406, unless otherwise specified, should be read to refer as well to the corresponding provisions of Code section 4975.

<sup>18</sup> 49 FR 9494 (March 13, 1984), as corrected at 50 FR 41430, (Oct. 10, 1985), as amended at 70 FR 49305 (Aug. 23, 2005), and as amended at 75 FR 38837 (July 6, 2010).

A Covered Plan does not include an ERISA-covered plan or IRA to the extent the PIMCO Affiliated QPAM or the PIMCO Related QPAM has expressly disclaimed reliance on QPAM status or PTE 84–14 in entering into a contract, arrangement, or agreement with the ERISA-covered plan or IRA.

(d) The term “Exemption Period” means May 17, 2023, through May 16, 2028.

(e) The term “Misconduct” means the conduct described in the Statement of Facts in case number 1:22–cr–00279–CM which indicated that beginning in at least 2014 and continuing through March 2020, AGI US engaged in a scheme to defraud investors in a series of private investment funds (the Structured Alpha Funds) that at their height had over \$11 billion in assets under management.

(f) The term “PIMCO” means Pacific Investment Management Company LLC.

(g) The term “PIMCO Affiliated QPAM” means a “qualified professional asset manager,” as defined in Section VI(a) of PTE 84–14, that relies on the relief provided by PTE 84–14 or represents to ERISA-covered plans and/or IRAs that it qualifies as a QPAM, and with respect to which PIMCO is a current or future “affiliate” (as defined in Section VI(d)(1) of PTE 84–14). For the purposes of this exemption, the term “PIMCO Affiliated QPAMs” does not include AGI US, or entities that are under the control of AGI US. The term only includes entities that are 100 percent owned, directly or indirectly, by PIMCO.

(h) The term “PIMCO Related QPAM” means any current or future “qualified professional asset manager” (as defined in section VI(a) of PTE 84–14) that relies on the relief provided by PTE 84–14, and with respect to which PIMCO owns a direct or indirect five percent or more interest, but with respect to which PIMCO is not an “affiliate” (as defined in Section VI(d)(1) of PTE 84–14).

## Section II. Covered Transactions

The PIMCO Affiliated QPAMs, as defined in Section I(g), and the PIMCO Related QPAMs, as defined in Section I(h), will not be precluded from relying on the exemptive relief provided by the QPAM Exemption during the Exemption Period, notwithstanding the AGI US Convictions (as defined in Section I(a)) if the conditions in Section III are satisfied.

## Section III. Conditions

(a) The PIMCO Affiliated QPAMs and the PIMCO Related QPAMs (including their officers, directors, agents other than AGI US, and employees of such

QPAMs) did not know or have reason to know of and did not participate in the Misconduct that is the subject of the AGI US Conviction. Further, any other party engaged on behalf of the PIMCO Affiliated QPAMs and PIMCO Related QPAMs who had responsibility for, or exercised authority in connection with the management of plan assets did not know nor have reason to know of and did not participate in the Misconduct that is the subject of the AGI US Conviction. For purposes of this proposed exemption, “participate in” refers not only to active participation in the Misconduct of AGI US that is the subject of the AGI US Conviction, but also to knowing approval of the Misconduct, or knowledge of such Misconduct without taking active steps to stop it, including reporting the Misconduct to the individual’s supervisors and to the Board of Directors.

(b) The PIMCO Affiliated QPAMs and the PIMCO Related QPAMs (including their officers, directors, and agents other than AGI US, and employees of such PIMCO QPAMs who had responsibility for, or exercised authority in connection with the management of plan assets) did not receive direct compensation or knowingly receive indirect compensation in connection with the Misconduct that is the subject of the AGI US Conviction. Further, any other party engaged on behalf of the PIMCO Affiliated QPAMs and the PIMCO Related QPAMs who had responsibility for or exercised authority in connection with the management of plan assets did not receive direct compensation nor knowingly receive indirect compensation in connection with the Misconduct that is the subject of the AGI US Conviction.

(c) The PIMCO Affiliated QPAMs do not currently and will not in the future employ or knowingly engage any of the individuals who participated in any of the Misconduct, or any individual who was employed in AGI US’s Structured Products Group from January 1, 2014, through March 31, 2020;

(d) At all times during the Exemption Period, no PIMCO Affiliated QPAM will use its authority or influence to direct an “investment fund” (as defined in Section VI(b) of PTE 84–14) that is subject to ERISA or the Code and managed by such PIMCO Affiliated QPAM in reliance on PTE 84–14 or with respect to which a PIMCO Affiliated QPAM has expressly represented to an ERISA-covered plan or IRA with assets invested in such “investment fund” that it qualifies as a QPAM or relies on the QPAM class exemption, to enter into any transaction with AGI US or to

engage AGI US to provide any service to such investment fund for a direct or indirect fee borne by such investment fund regardless of whether such transaction or service may otherwise be within the scope of relief provided by an administrative or statutory exemption;

(e) Any failure of a PIMCO Affiliated QPAM or a PIMCO Related QPAM to satisfy Section I(g) of PTE 84–14 arose solely from the AGI US Conviction;

(f) A PIMCO Affiliated QPAM or a PIMCO Related QPAM did not exercise authority over the assets of any plan subject to Part 4 of Title I of ERISA (an ERISA-covered plan) or Code Section 4975 (an IRA) in a manner that it knew or should have known would: (i) further the Misconduct that is the subject of the AGI US Conviction; or (ii) cause the PIMCO Affiliated QPAM, the PIMCO Related QPAM, or their affiliates to directly or indirectly profit from the Misconduct that is the subject of the AGI US Conviction;

(g) Other than with respect to employee benefit plans maintained or sponsored for its own employees or the employees of an affiliate, AGI US will not act as a fiduciary within the meaning of ERISA Section 3(21)(A)(i) or (iii) or Code Section 4975(e)(3)(A) and (C) with respect to ERISA-covered plan and IRA assets; provided, however, that PIMCO will not be treated as violating the conditions of this exemption solely because AGI US acted as an investment advice fiduciary within the meaning of ERISA Section 3(21)(A)(ii) or Code Section 4975(e)(3)(B);

(h)(1) Within 180 calendar days of the effective date of this five-year exemption, each PIMCO Affiliated QPAM must immediately develop, maintain, implement, and follow written policies and procedures (the Policies) that must require, and be reasonably designed to ensure that:

(i) The asset management decisions of the PIMCO Affiliated QPAM are conducted independently of the corporate management and business activities of AGI US;

(ii) The PIMCO Affiliated QPAM fully complies with ERISA’s fiduciary duties and with ERISA and the Code’s prohibited transaction provisions as applicable with respect to each Covered Plan, and does not knowingly participate in any violation of these duties and provisions with respect to Covered Plans;

(iii) The PIMCO Affiliated QPAM does not knowingly participate in any other person’s violation of ERISA or the Code with respect to Covered Plans;

(iv) Any filings or statements made by the PIMCO Affiliated QPAM to

regulators, including, but not limited to, the Department, the Department of the Treasury, the Department of Justice, and the Pension Benefit Guaranty Corporation on behalf of or in relation to Covered Plans are materially accurate and complete to the best of such QPAM's knowledge at that time;

(v) To the best of the PIMCO Affiliated QPAM's knowledge at the time, the PIMCO Affiliated QPAM does not make material misrepresentations or omit material information in its communications with such regulators with respect to Covered Plans or make material misrepresentations or omit material information in its communications with Covered Plans;

(vi) The PIMCO Affiliated QPAM complies with the terms of this exemption; and

(vii) Any violation of or failure to comply with an item in subparagraphs (ii) through (vi), is corrected as soon as reasonably possible upon discovery, or as soon after the QPAM reasonably should have known of the noncompliance (whichever is earlier), and any such violation or compliance failure not so corrected is reported, upon the discovery of such failure to so correct, in writing, to the head of compliance and the General Counsel (or their functional equivalent) of the relevant line of business that engaged in the violation or failure, and the independent auditor responsible for reviewing compliance with the Policies. A PIMCO Affiliated QPAM will not be treated as having failed to develop, implement, maintain, or follow the Policies if it corrects any instance of noncompliance as soon as reasonably possible upon discovery, or as soon as reasonably possible after the QPAM reasonably should have known of the noncompliance (whichever is earlier), and if it adheres to the reporting requirements set forth in this subparagraph (vii);

(2) Within 180 calendar days after the effective date of the exemption, each PIMCO Affiliated QPAM must develop, maintain, adjust (to the extent necessary), and implement a training program during the Exemption Period that will be conducted at least annually for all relevant PIMCO Affiliated QPAM asset/portfolio management, trading, legal, compliance, and internal audit personnel (the Training). The Training required under this exemption may be conducted electronically and must:

(i) At a minimum, cover the Policies, ERISA and Code compliance (including applicable fiduciary duties and the prohibited transaction provisions), ethical conduct, the consequences for not complying with the conditions of

this exemption (including any loss of exemptive relief provided herein), and prompt reporting of wrongdoing; and

(ii) Be conducted by a professional who has been prudently selected and has appropriate technical training and proficiency with ERISA and the Code to perform the tasks required by this exemption;

(iii) Be verified through in-training knowledge checks, "graduation" tests, and/or other technological tools designed to confirm that personnel fully and in good faith participate in the Training;

(i)(1) Each PIMCO Affiliated QPAM must submit to an audit conducted every two years by an independent auditor who has been prudently selected and has appropriate technical training and proficiency with ERISA and the Code to evaluate the adequacy of the Policies and Training conditions described herein and each PIMCO Affiliated QPAM's compliance with them. The audit requirement must be incorporated into the Policies. Each audit must cover the preceding consecutive twelve (12) month period. The first audit under this exemption must cover the period from May 17, 2023, through May 16, 2024, and must be completed by November 16, 2024. The second audit must cover the period from May 17, 2025, through May 16, 2026, and must be completed by November 16, 2026. The third audit must cover the period from May 17, 2027, through May 16, 2028, and must be completed by November 16, 2028.

(2) Within the scope of the audit and to the extent necessary for the auditor, in its sole opinion, to complete its audit and comply with the conditions for relief described herein, The PIMCO Affiliated QPAMs will grant the auditor unconditional access to their businesses, including, but not limited to: its computer systems; business records; transactional data; workplace locations; training materials; and personnel. Such access will be provided only to the extent that it is not prevented by state or federal statute, or involves communications subject to attorney client privilege and may be limited to information relevant to the auditor's objectives as specified by the terms of this exemption;

(3) The auditor's engagement must specifically require the auditor to determine whether each PIMCO Affiliated QPAM has developed, implemented, maintained, and followed the Policies in accordance with the conditions of this exemption, and has developed and implemented the Training as required herein;

(4) The auditor's engagement must specifically require the auditor to test each PIMCO Affiliated QPAM's operational compliance with the Policies and Training conditions. In this regard, the auditor must test, for each QPAM, a sample of the QPAM's transactions involving Covered Plans sufficient in size and nature to afford the auditor a reasonable basis to determine the QPAM's operational compliance with the Policies and Training conditions;

(5) For each audit, on or before the end of the relevant period described in Section III(i)(1) for completing the audit, the auditor must issue a written report (the Audit Report) to PIMCO and the PIMCO Affiliated QPAM to which the audit applies that describes the procedures performed by the auditor during its examination. The auditor, at its discretion, may issue a single consolidated Audit Report that covers all the PIMCO Affiliated QPAMs. The Audit Report must include the auditor's specific determinations regarding:

(i) The adequacy of each PIMCO Affiliated QPAM's Policies and Training and compliance with the Policies and Training conditions; the need, if any, to strengthen such Policies and Training; and any instance of the respective PIMCO Affiliated QPAM's noncompliance with the written Policies and Training conditions described in Section III(h) above. The PIMCO Affiliated QPAM must promptly address any identified noncompliance. The PIMCO Affiliated QPAM must also promptly address or prepare a written plan of action to address any determination by the auditor regarding the adequacy of the Policies and Training and the auditor's recommendations (if any) with respect to strengthening the PIMCO Affiliated QPAM Policies and Training. Any action taken, or the plan of action to be taken, by the respective PIMCO Affiliated QPAM must be included in an addendum to the Audit Report (and such addendum must be completed prior to the certification described in Section III(i)(7) below). In the event such a plan of action to address the auditor's recommendation regarding the adequacy of the Policies and Training is not completed by the time of submission of the Audit Report, the following period's Audit Report must state whether the plan was satisfactorily completed. Any determination by the auditor that the respective PIMCO Affiliated QPAM has implemented, maintained, and followed sufficient Policies and a Training must not be based solely or in substantial part on an absence of evidence indicating

noncompliance. In this last regard, any finding that a PIMCO Affiliated QPAM has complied with the requirements under this subparagraph must be based on evidence that such PIMCO Affiliated QPAM has implemented, maintained, and followed the Policies and Training conditions required by this exemption. Furthermore, the auditor must not solely rely on the Annual Report created by the compliance officer (the Compliance Officer), as described in Section III(m) below, as the basis for the auditor's conclusions in lieu of independent determinations and testing performed by the auditor, as required by Section III(i)(3) and (4) above; and

(ii) The adequacy of the most recent Annual Review described in Section III(m);

(6) The auditor must notify the respective PIMCO Affiliated QPAM of any instance of noncompliance identified by the auditor within five (5) business days after such noncompliance is identified by the auditor regardless of whether the audit has been completed as of that date;

(7) With respect to each Audit Report, the general counsel or one of the three most senior executive officers of PIMCO or the Affiliated QPAM with respect to which the Audit Report applies must certify in writing and under penalty of perjury that (a) the officer has reviewed the Audit Report and this exemption; and (b) the PIMCO Affiliated QPAM has addressed, corrected or remedied any instance of noncompliance or inadequacy or has an appropriate written plan in place to address any instance of noncompliance or inadequacy regarding the Policies and Training identified in the Audit Report. The certification must also include the signatory's determination that the Policies and Training in effect at the time of the certification are adequate to ensure compliance with the exemption conditions and with the applicable provisions of ERISA and the Code;

(8) The PIMCO Board of Directors is provided with a copy of each Audit Report, and a senior executive officer with a direct reporting line to the highest-ranking legal compliance officer of PIMCO must review the Audit Report for each PIMCO Affiliated QPAM and certify in writing under penalty of perjury that such officer has reviewed the Audit Report;

(9) Each PIMCO Affiliated QPAM provides its certified Audit Report by electronic mail to *e-oed.gov*. This delivery must take place no later than thirty (30) days following completion of the Audit Report. This delivery must take place no later than thirty (30) calendar days following completion of

the Audit Report. The Audit Report will be made part of the public record regarding this exemption. Furthermore, each PIMCO Affiliated QPAM must make its Audit Report unconditionally available, electronically or otherwise, for examination upon request by any duly authorized employee or representative of the Department, other relevant regulators, and any fiduciary of a Covered Plan;

(10) Each PIMCO Affiliated QPAM and the auditor must submit to OED any engagement agreement(s) entered into pursuant to the engagement by the auditor under this exemption no later than sixty (60) calendar days after the execution of any such engagement agreement;

(11) The auditor must provide the Department, upon request, for inspection and review, access to all the workpapers created and utilized during the audit, provided such access and inspection is otherwise permitted by law; and

(12) PIMCO must notify the Department of a change in the independent auditor no later than sixty (60) calendar days after the engagement of a substitute or subsequent auditor and must provide an explanation for the substitution or change including a description of any material disputes between the terminated auditor and PIMCO;

(j) Throughout the Exemption Period, with respect to any arrangement, agreement, or contract between a PIMCO Affiliated QPAM and a Covered Plan, the PIMCO Affiliated QPAM agrees and warrants:

(1) To comply with ERISA and the Code, as applicable with respect to such Covered Plan; to refrain from engaging in prohibited transactions that are not otherwise exempt (and to promptly correct any inadvertent prohibited transactions); and to comply with the standards of prudence and loyalty set forth in ERISA Section 404, with respect to each such ERISA-covered plan and IRA (to the extent that ERISA Section 404 is applicable);

(2) To indemnify and hold harmless the Covered Plan for any actual losses resulting directly from the PIMCO Affiliated QPAM's violation of ERISA's fiduciary duties, as applicable, and of the prohibited transaction provisions of ERISA and the Code, as applicable; a breach of contract by the QPAM; or any claim arising out of the failure of such PIMCO Affiliated QPAM to qualify for the exemptive relief provided by PTE 84-14 as a result of a violation of Section I(g) of PTE 84-14, other than the Conviction. This condition applies only to actual losses caused by the PIMCO

Affiliated QPAM's violations. Actual losses include losses and related costs arising from unwinding transactions with third parties and from transitioning Plan assets to an alternative asset manager as well as costs associated with any exposure to excise taxes under Code Section 4975 because of TTI's inability to rely upon the relief in the QPAM Exemption;

(3) Not to require (or otherwise cause) the Covered Plan to waive, limit, or qualify the liability of the PIMCO Affiliated QPAM for violating ERISA or the Code or engaging in prohibited transactions;

(4) Not to restrict the ability of the Covered Plan to terminate or withdraw from its arrangement with the PIMCO Affiliated QPAM with respect to any investment in a separately managed account or pooled fund subject to ERISA and managed by the QPAM, with the exception of reasonable restrictions, appropriately disclosed in advance, that are specifically designed to ensure equitable treatment of all investors in a pooled fund in the event such withdrawal or termination may have adverse consequences for all other investors. In connection with any of these arrangements involving investments in pooled funds subject to ERISA entered into after the initial effective date of this exemption, the adverse consequences must relate to a lack of liquidity of the underlying assets, valuation issues, or regulatory reasons that prevent the fund from promptly redeeming an ERISA-covered plan's or IRA's investment, and the restrictions must be applicable to all such investors and effective no longer than reasonably necessary to avoid the adverse consequences;

(5) Not to impose any fees, penalties, or charges for such termination or withdrawal with the exception of reasonable fees, appropriately disclosed in advance, that are specifically designed to prevent generally recognized abusive investment practices or specifically designed to ensure the equitable treatment of all investors in a pooled fund in the event the withdrawal or termination may have adverse consequences for all other investors, provided that such fees are applied consistently and in like manner to all such investors;

(6) Not to include exculpatory provisions disclaiming or otherwise limiting the liability of the PIMCO Affiliated QPAM for a violation of such agreement's terms. To the extent consistent with ERISA Section 410, however, this provision does not prohibit disclaimers for liability caused by an error, misrepresentation, or

misconduct of a plan fiduciary or other party hired by the plan fiduciary who is independent of PIMCO and its affiliates, or damages arising from acts outside the control of the PIMCO Affiliated QPAM; and

(7) (a) Each PIMCO Affiliated QPAM must provide a notice of its obligations under this Section III(j) to each sponsor or beneficial owner of a Covered Plan which is a client as of the Effective Date by a date that is 90 days after the Effective Date. For all other Covered Plans that become clients between the Effective Date and a date that is 120 days after the Effective Date, each sponsor or beneficial owner of such Covered Plans must be provided with a notice of the obligations under this section by a date that is 180 days after the Effective Date. All prospective sponsors and beneficial owners of Covered Plans that enter into a written investment management agreement with a PIMCO Affiliated QPAM after a date that is 120 days after the Effective Date must receive a copy of the notice of the obligations under this Section III(j) before, or contemporaneously with, the Covered Plan's receipt of a written investment management or comparable agreement from the PIMCO Affiliated QPAM. The notices may be delivered electronically (including by an email that has a link to a website that contains the documents required by this section). Notwithstanding the above, a PIMCO Affiliated QPAM will not violate this condition solely because a Covered Plan refuses to sign an updated investment management agreement.

(k) Within 90 days after the effective date of this exemption, each PIMCO Affiliated QPAM provides notice of the exemption as published in the **Federal Register**, along with a separate summary describing the facts that led to the Conviction (the Summary), which has been submitted to the Department, and a prominently displayed statement (the Statement) that the AGI US Conviction results in a failure to meet a condition in the QPAM Exemption to each sponsor or beneficial owner of a Covered Plan that has entered into a written investment management agreement with a PIMCO Affiliated QPAM, or the sponsor of an investment fund in any case where a PIMCO Affiliated QPAM acts as a sub-adviser to the investment fund in which such Covered Plan invests. For all other Covered Plans that become clients between the Effective Date and a date that is 120 days after the Effective Date, each sponsor or beneficial owner of such Covered Plans is provided the documents described in this Section III(k) by a date that is 180 days after the

Effective Date. All sponsors or beneficial owners of prospective Covered Plans that enter into a written investment management or comparable agreement with a PIMCO Affiliated QPAM after a date that is 120 days after the Effective Date must receive a copy of the notice of the exemption, the Summary, and the Statement before, or contemporaneously with, the Covered Plan's receipt of a written investment management agreement from the PIMCO Affiliated QPAM. The notices may be delivered electronically (including by an email that has a link to a website that contains the documents required by this section). Notwithstanding the above, a PIMCO Affiliated QPAM will not violate the condition solely because a Covered Plan refuses to sign an updated investment management agreement.

(l) The PIMCO Affiliated QPAM must comply with each condition of PTE 84–14, as amended, with the sole exception of the violation of Section I(g) of PTE 84–14 that is attributable to the AGI US Conviction. If an affiliate of PIMCO's (as defined in Section VI(d) of PTE 84–14) is convicted of a crime described in Section I(g) of PTE 84–14 (other than the Conviction) during the Exemption Period, relief in this exemption would terminate immediately;

(m)(1) Within 60 calendar days after the effective date of this exemption, each PIMCO Affiliated QPAM must designate a senior compliance officer (the Compliance Officer) who will be responsible for compliance with the Policies and Training requirements described herein. Notwithstanding the above, no person, including any person referenced in the Statement of Facts underlying the AGI US Conviction, who knew of, or should have known of, or participated in, any of the Misconduct, by any party, may be involved with the designation or responsibilities required by this condition, unless the person took active documented steps to stop the Misconduct. The Compliance Officer must conduct a review of each twelve-month period of the Exemption Period (the Exemption Review), to determine the adequacy and effectiveness of the implementation of the Policies and Training. The following conditions must be met with respect to the Compliance Officer:

(i) The Compliance Officer must be a professional who has extensive experience with, and knowledge of, the regulation of financial services and products, including under ERISA and the Code; and

(ii) The Compliance Officer must have a direct reporting line to the highest-ranking corporate officer in charge of

compliance for the applicable PIMCO Affiliated QPAM.

(2) With respect to the Exemption Review, the following conditions must be met:

(i) The annual Exemption Review includes a review by the Compliance Officer of: (A) the PIMCO Affiliated QPAM's compliance with and effectiveness of the Policies and Training; (B) any compliance matter related to the Policies or Training that was identified by, or reported to, the Compliance Officer or others within the compliance and risk control function (or its equivalent) during the previous year; (C) the most recent Audit Report issued pursuant to this exemption; (D) any material change in the relevant business activities of the PIMCO Affiliated QPAMs; and (E) any change to ERISA, the Code, or regulations related to fiduciary duties and the prohibited transaction provisions that may be applicable to the activities of the PIMCO Affiliated QPAMs;

(ii) The Compliance Officer must prepare a written report for the Exemption Review (an Exemption Report) that: (A) summarizes the Compliance Officer's material activities during the prior year; (B) sets forth any instance of noncompliance discovered during the prior year, and any related corrective action; (C) details any change to the Policies or Training to guard against any similar instance of noncompliance occurring again; and (D) makes recommendations, as necessary, for additional training, procedures, monitoring, or additional and/or changed processes or systems, and management's actions on such recommendations;

(iii) In the Exemption Report, the Compliance Officer must certify in writing that to the best of their knowledge at the time: (A) the report is accurate; (B) the Policies and Training are working in a manner that is reasonably designed to ensure that the Policies and Training requirements described herein are met; (C) any known instance of noncompliance during the prior year and any related corrections taken to date have been identified in the Exemption Report; and (D) the PIMCO Affiliated QPAMs have complied with the Policies and Training, and/or corrected (or are correcting) any known instances of noncompliance in accordance with Section III(h) above;

(iv) The Exemption Report must be provided to appropriate corporate officers of PIMCO and each PIMCO Affiliated QPAM to which such report relates, the head of compliance and the general counsel (or their functional equivalent) of the relevant PIMCO

Affiliated QPAM. The Exemption Report also must be made unconditionally available to the independent auditor described in Section III(i) above;

(v) The annual Exemption Review, including the Compliance Officer's written Report, must be completed within 90 calendar days following the end of the period to which it relates. The annual Exemption Reviews under this exemption must cover the following periods: May 17, 2023, through May 16, 2024; May 17, 2024, through May 16, 2025; May 17, 2025, through May 16, 2026; May 17, 2026, through May 16, 2027; May 17, 2027, through May 16, 2028.

(n) AGI US complies in all material respects with the requirements imposed by a U.S. regulatory authority in connection with the AGI US Conviction;

(o) Each PIMCO Affiliated QPAM will maintain records necessary to demonstrate that the conditions of this exemption have been met for six (6) years following the date of any transaction for which the PIMCO Affiliated QPAM relies upon the relief in this exemption;

(p) During the Exemption Period, PIMCO must: (1) immediately disclose to the Department any Deferred Prosecution Agreement (a DPA) or Non-Prosecution Agreement (an NPA) with the U.S. Department of Justice, entered into by PIMCO or any of its affiliates (as defined in Section VI(d) of PTE 84–14) in connection with the conduct described in Section I(g) of PTE 84–14 or ERISA Section 411; and (2) immediately provide any information requested by the Department, as permitted by law, regarding the agreement and/or conduct and allegations that led to the agreement;

(q) Within 60 calendar days after the effective date of this exemption, each PIMCO Affiliated QPAM, in its agreements with, or in other written disclosures provided to Covered Plans, will clearly and prominently inform Covered Plan clients of their right to obtain a copy of the Policies or a description (Summary Policies) which accurately summarizes key components of the PIMCO Affiliated QPAM's written Policies developed in connection with this exemption. If the Policies are thereafter changed, each Covered Plan client must receive a new disclosure within 180 calendar days following the end of the calendar year during which the Policies were changed.<sup>19</sup> With

respect to this requirement, the description may be continuously maintained on a website, provided that such website link to the Policies or Summary Policies is clearly and prominently disclosed to each Covered Plan;

(r) A PIMCO Affiliated QPAM will not fail to meet the conditions of this exemption solely because a different PIMCO Affiliated QPAM fails to satisfy a condition for relief described in Sections III(c), (d), (h), (i), (j), (k), (l), (o) or (q); or if the independent auditor described in Section III(i) fails to comply with a provision of the exemption other than the requirement described in Section III(i)(11), provided that such failure did not result from any actions or inactions of PIMCO or its affiliates; and

(s) All the material facts and representations set forth in the Summary of Facts and Representations are true and accurate at all times.

(t) With respect to an asset manager that becomes a PIMCO Affiliated QPAM after the effective date of this exemption by virtue of being acquired (in whole or in part) by PIMCO or a subsidiary of PIMCO (a "newly-acquired PIMCO Affiliated QPAM"), the newly-acquired PIMCO Affiliated QPAM would not be precluded from relying on the exemptive relief provided by PTE 84–14 notwithstanding the Conviction as of the closing date for the acquisition; however, the operative terms of the exemption shall not apply to the newly-acquired PIMCO Affiliated QPAM until a date that is six (6) months after the closing date for the acquisition. To that end, the newly-acquired PIMCO Affiliated QPAM will initially submit to an audit pursuant to Section III(i) of this exemption as of the first audit period that begins following the closing date for the acquisition. However, the first audit to which a newly-acquired QPAM submits may require the auditor to look back into the previous year for that particular QPAM. This will be the case where the interval between the acquisition date and the beginning of the next audit period is greater than 6 months.

*Exemption dates:* If granted, the exemption will be in effect for a period of five years beginning on May 17, 2023, and ending on May 16, 2028.

Signed at Washington, DC, this 22nd day of March, 2023.

**George Christopher Cosby,**

*Director, Office of Exemption Determinations,  
Employee Benefits Security Administration,  
U.S. Department of Labor.*

[FR Doc. 2023–06346 Filed 3–24–23; 4:15 pm]

**BILLING CODE 4510–29–P**

## DEPARTMENT OF LABOR

### Agency Information Collection Activities; Submission for OMB Review; Comment Request; Federal- State Unemployment Insurance Program Data Exchange Standardization

**ACTION:** Notice of availability; request for comments.

**SUMMARY:** The Department of Labor (DOL) is submitting this Employment and Training Administration (ETA)-sponsored information collection request (ICR) to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995 (PRA). Public comments on the ICR are invited.

**DATES:** The OMB will consider all written comments that the agency receives on or before April 27, 2023.

**ADDRESSES:** Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice to [www.reginfo.gov/public/do/PRAMain](http://www.reginfo.gov/public/do/PRAMain). Find this particular information collection by selecting "Currently under 30-day Review—Open for Public Comments" or by using the search function.

*Comments are invited on:* (1) whether the collection of information is necessary for the proper performance of the functions of the Department, including whether the information will have practical utility; (2) if the information will be processed and used in a timely manner; (3) the accuracy of the agency's estimates of the burden and cost of the collection of information, including the validity of the methodology and assumptions used; (4) ways to enhance the quality, utility and clarity of the information collection; and (5) ways to minimize the burden of the collection of information on those who are to respond, including the use of automated collection techniques or other forms of information technology.

**FOR FURTHER INFORMATION CONTACT:** Mara Blumenthal by telephone at 202–693–8538, or by email at [DOL\\_PRA\\_PUBLIC@dol.gov](mailto:DOL_PRA_PUBLIC@dol.gov).

<sup>19</sup> If the Applicant meets this disclosure requirement through Summary Policies, changes to the Policies shall not result in the requirement for a new disclosure unless, as a result of changes to

the Policies, the Summary Policies are no longer accurate.